

8th
ANNUAL
REPORT

BUSINESS
The CITY
and the FUTURE



ECONOMIC DEVELOPMENT COUNCIL OF NEW YORK CITY, INC.

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Eighth Annual Report 1973

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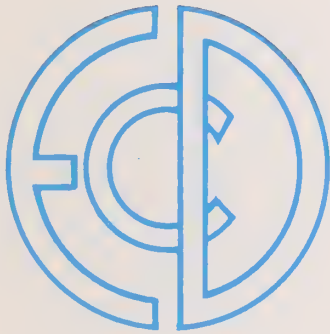


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Business, the City, and the Future

**EDC Chairman and President
George Champion Reviews 1973**



This is an accounting of a highly unusual sort—a report on the “earnings” of a non-profit corporation.

Unprecedented corporate investments in the programs of the Economic Development Council are beginning to pay tangible dividends of a very special nature. The operating results to date may well have great potential significance, nation-wide, to those who seek new and clearer definitions of such terms as “business citizenship” and “corporate social responsibility.”

EDC’s programs find primary focus in the application of business capabilities to (1) the more efficient organization and management of major City government departments and agencies and (2) more effective public education. We believe that, as a practical matter, governmental services must be delivered effectively and efficiently to our citizens at a price they can afford to pay. This is an essential element in the creation of an economic “climate” which will enable business and finance to provide maximum employment and opportunity for the city’s people. This, in turn, vitally affects the city’s capacity to maintain its competitive position in the fast-changing national and world market-places of today and tomorrow.

EDC Member Companies are supporting this concept with “landmark” commitments not only of funds but of greatly needed managerial manpower. Skilled and specialized executives are assigned to our programs—“on loan” on a full-time basis for periods of a year or more. Some are members of our “Task Forces” on the reorganization of governmental departments and agencies. Others work in our School Partnership program in four central city high schools in disadvantaged areas. Since 1969, a total of 158 man- and woman-years of executive time

have been contributed to these pioneering programs by 47 companies—at no cost to the City and its taxpayers.

Such a unique record deserves a unique form of reporting. Price Waterhouse & Co., as EDC’s auditor, has suggested an innovative new approach to this question. For the first time anywhere, EDC’s Financial Statement for 1973 treats “on loan” executive services as items of “income” and “expense.” The value of these services is established—conservatively, I believe—at \$25,000 per annum for each loaned executive.

In 1973 alone, therefore, we find that executive services in the amount of \$1,212,250 were contributed by the corporate and financial community to the improvement of government and education in New York City. This is in addition to cash contributions of \$968,258 which were largely used to provide supporting services to the various programs. Not only has this been done without cost to the City but not a single one of the participating companies has ever asked, or expected, any sort of special recognition, privilege, or favor. The creation of an improved economic “climate” favorable to the city’s future has been their sole motivation.

Corporate Good Citizenship— an Outstanding Example

This is a tremendous tribute to the public spirit, foresight, and corporate good citizenship of the city’s business and financial leaders. As we all know, skilled management specialists are hard to come by—and even harder to spare. Our Task Forces and School Partnership teams represent an immense sacrifice on the part of our Member Companies whose New York operations, in many cases, are only

a small portion of their national concerns. At the same time, many of them are strongly supporting urban programs in other cities.

Now we approach the “bottom line.” Our operations cannot be measured, of course, in the conventional terms of net profits on sales or earnings per share. Concerning the Task Forces, let me emphasize that EDC’s services to government have been made available only at the specific request of the Department heads concerned, fully supported by top City officials. Moreover, there had to be a clear understanding of the scope of each top-to-bottom study, including lines of responsibility and authority, job descriptions, work measurement, and personnel policies.

Our governmental clients are very “big businesses,” indeed. The City government itself is enormous, by any standard, and some of its Departments are huge. The school system alone would rank, in expenditures and total employment, with the nation’s 12th largest industrial corporation. The expense budget of the City overall has increased from \$3.1 billion in fiscal 1964 to \$10.6 billion in fiscal 1974—although the total population has remained unchanged at just under 8 million.

This emphasizes the tremendous gap which has developed between the managerial capabilities of government and those of business. Many government Departments are still operated, as one public official puts it, “along the lines of a Mom and Pop candy store.” Many good people in government are held down by outmoded methods, rules, and procedures and by lack of executive training and recognition. Business, under the spur of competition, has had to modernize its structures, systems, methods, personnel policies, equipment, and techniques.

It is in these areas, therefore, that government has the greatest need for the very things that business does best.

When we fill out the “bottom line” on EDC’s 1973 operations, the most tangible factor is fiscal. Our primary example is the Task Force (or succession of Task Forces, really) which, since 1969, has been making an intensive study of the administration of justice in New York City. This began with a top-to-bottom analysis of the structure and management of the City’s far-flung, 98-judge Criminal Court system. Subsequently, the study moved on to those parts of the Supreme Court which deal with criminal cases and then to the civil parts of the Supreme Court in Manhattan and the Bronx.

The Fiscal and the Non-Monetary Results

In non-monetary terms, the results of the Criminal Court study and its implementation have been nothing less than historic. These are detailed and brought up-to-date in the summary on Page 7 of this report. Foremost, of course, has been the reduction in the Court’s backlog of unfinished cases from 59,000 in 1970 to 13,500 at the end of 1973. But this figure, while significant, does not “price out” the fiscal value of implementation.

In April, 1973, however, a new method of monetary measurement was revealed. Peat, Marwick, Mitchell & Co. announced the results of an intensive analysis showing that actual budgetary savings of \$6.7 million a year were clearly attributable to the work of the EDC Criminal Court Task Force—in addition to a one-time saving of \$48.5 million. And this was done without any increase in the number of judges and court personnel.

Turning to the Task Forces on the

City's huge Human Resources Administration (HRA), we find further evidence of the "profitability" of business assistance in governmental management. On Page 11 of this report, many of the improvements stemming from reorganization are detailed. Here budgetary savings of \$78 million a year are estimated—conservatively—as the results of the Task Force recommendations which have so far been implemented.

Also in 1973, a plan for the complete reorganization of the City's vast school system was proposed by an EDC Task Force and accepted by the central Board of Education. Much has been written and said concerning the gigantic bureaucracy which reaches out from Board Headquarters at 110 Livingston Street, Brooklyn, and lays a stultifying hand on the operations of a 966-school system which serves 1.1 million pupils at an annual cost in excess of \$2.5 billion. Now that the Task Force recommendations are being implemented, initial budgetary savings of at least \$10 million a year are clearly anticipated. Eventual overall savings of 10 percent of budget, or \$250 million a year, are well within reach. Progress to date is detailed on Page 17 of this report.

When we come to the School Partnership program, we find no means by which results can be reckoned in dollars and cents. In non-monetary terms, however, the fruits of educational innovation are almost beyond calculation—especially when we consider their "multiplier effect" which is the real goal of the program. On Page 21 of this report, the major gains of the Partnerships are stated in terms of the motivation of young people toward further education and careers, and the reawakening of educational spirit in teachers, administrators, students, and parents.

Massive Fact-Finding— A Vital Need

There can be no ready reckoning, either, of the direct results stemming from EDC's research programs, as set forth on Page 25 of this report. Yet we are coming more and more to the view that further fact-finding on a massive scale is absolutely vital to the future of New York—and, in fact, of all the nation's cities.

All in all, though, we have established the case for business commitment to governmental revitalization—even if dollar "dividends" (in the case of the courts, HRA, and the Board of Education) are taken as the sole criterion. But we have learned that there is another "bottom line" which defies computation because its concept is human and its impact directly affects the lives and homes, the hopes and fears, of people.

Who can put a price tag, for example, on the more efficient administration of our courts of law? Is there an equation between the reduction of delay and the suffering and frustration caused by delay? What is the damage to the community when some defendants are locked up for needlessly long periods while others run free? What value do we attach to the restoration of public confidence in our system of justice?

In the Human Resources Administration, tangible dollar savings proceed from basic administrative changes, to be sure. But how do we assess the release of hundreds of trained case workers from routine clerical chores, returning them to their real task of guiding and counselling poor families and helping the handicapped and the aged? What is the real meaning of a break in the "poverty cycle" through the wider application of the Comprehensive Manpower Center principle?

In the streamlining of "110

Livingston Street” and the redeployment of its forces, we see newly effective educational direction and more efficient administration. (Why, for example, should new employees have had to wait six to nine months to get their first paycheck which then, in most cases, was incorrectly made out?) This type of reorganization should reach into all the schools with an immeasurably beneficial effect.

The School Partnerships— Their Real Meaning

And what is the real meaning of the “School Partnerships?” In one dimension, it can be stated in terms of innovative projects, of new methodologies—“English as a Second Language,” “Peer Mediated Instruction,” career motivation, and student-led drug control programs—which are being “replicated” over a broad front and documented for use in schools throughout the country. But how do we express a spirit of hope injected into school communities where despair has long prevailed? How do we assess the awakening, in thousands of young people, of self-confidence and belief that they really can find careers and lives of usefulness in “the great world outside?”

Now we turn to the future, which means that we must go back to the essential purpose of corporate urban commitment—the creation of an economic “climate” favorable to maximum employment and opportunity or, as we often say, “more and

better jobs for more and more people.” Such a climate must attract business to the city, hold existing enterprises in the city, and encourage all to develop along the lines of their greatest potential. New trends are at work, as a consequence of changes in the energy and transportation factors, which greatly improve the economic potential of all our big cities. But adverse internal forces are impeding our progress as a “city of opportunity.”

Awakening a Sleeping Giant

New York is, in fact, a sleeping giant, bound hand and foot by oppressive costs, mounting taxation, the decline in the quality of governmental services to the citizen, and, above all, public indifference to vital problems in public policy.

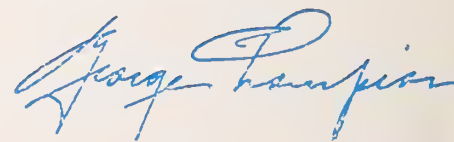
It is here that we see the vital need for strengthened managerial capabilities in the conduct of our governmental operations. The way must be found to develop more executives of experience, energy, and high qualities of leadership to fill the key posts in all the City’s Departments and agencies. Here also we see the urgent need for new programs of basic, massive, and continuous research.

We are constantly confronted with crucial problems and decisions of the utmost importance—“after the fact.” We do know something about the impact of current fiscal policies (or the lack thereof). We do not know the ultimate effect of visible trends in taxation, public employment, housing,

education, health, transportation, and all the other components of the economic “climate”—good or bad. We do not have the information needed to intelligently analyze the problems and hopefully develop sound plans for the city’s future. Goals must be established and a time-table set for their attainment.

Looking ahead, it is clear that the business community must initiate a new fact-finding process on an unprecedented scale. This is the only way in which to launch a broad-based public movement involving all elements of the population in the determination of public policies which will assure New York of a future even greater than its past. I have complete confidence that our citizens, when given the facts, will arrive at sound decisions on the road to realization of the opportunities within their reach.

This, then, is a brief accounting and an expression of great gratitude to the corporations and business leaders who are giving unique support to our pioneering programs in New York. They recognize, I believe, the value of a local process which may some day help to make all our cities—and therefore our country—even more dynamic, stable, and strong. This is the ultimate meaning of “corporate social responsibility.”

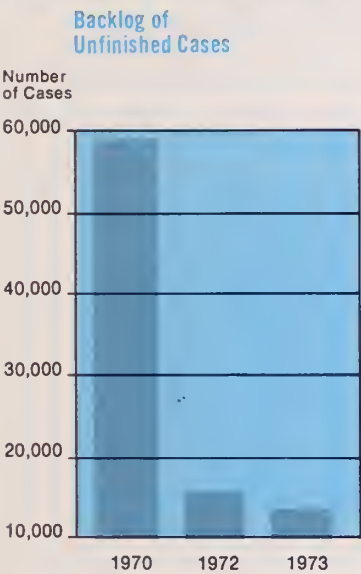


Chairman and President

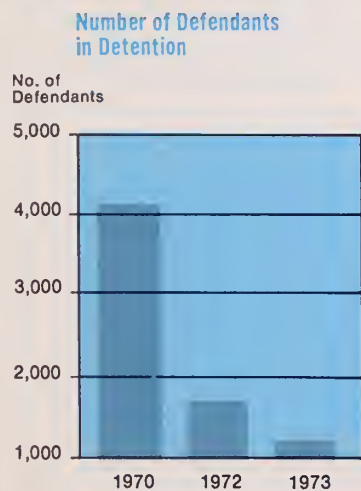
May 22, 1974

Business and the Administration of Justice

NEW YORK CITY CRIMINAL COURT



NEW YORK CITY CRIMINAL COURT



HIGHLIGHTS OF 1973. The backlog of unfinished cases in New York’s citywide, 98-judge Criminal Court system was further reduced—from more than 59,000 in 1970 to 16,000 in 1972 to 13,500 at the end of 1973. The number of defendants in detention awaiting trial decreased from a peak of 4,200 in 1970 to 1,800 in 1972 to 1,250 in October 1973.

This “unclogging” process followed a top-to-bottom study, by an EDC Task Force, of the organization, systems, methods, and procedures of the entire Criminal Court operation. The ten-member Task Force, composed of “on loan” management specialists from three major insurance companies, began work in July 1970. Their assignment was undertaken at the request of Presiding Justice Harold A. Stevens of the Appellate Division, First Department, in consultation with EDC Vice Chairman Joseph A. Grazier who has had general supervision of Court Task Force operations.

After intensive analysis, the Task Force made 21 specific recommendations for the reorganization of the Criminal Court operation. These recommendations were vigorously implemented by Administrative Judge David Ross, assisted by the Task Force and the Court staff.

Dismissals as a percentage of dispositions have decreased substantially and “bail jumping” has also gone down. The average length of sentences has remained about the same. Throughout 1973, court calendars remained “current” with an average caseload of less than three weeks.

Annual Saving of \$6.7 Million Documented

All of these improvements in Criminal Court operations were accomplished

without any increase in the number of judges and court personnel—and without cost to the City and its taxpayers. Actually, substantial savings in the cost of court operations have been fully documented.

In April 1973, the accounting firm of Peat, Marwick, Mitchell & Co. released the results of a detailed study, performed as a public service, which showed that these administrative improvements had produced a net annual saving of over \$6.7 million to the City in Criminal Court operating costs.

Additionally, a one-time saving of \$48.5 million was effected, largely by eliminating the cost of constructing a new detention institution which would have been required to house 1,000 defendants in detention—had not their number been reduced through improved administration. On this basis, future one-time savings of even greater size can be expected.

Unification of Criminal Justice Functions

Despite a State Constitutional mandate for a unified statewide court system, this objective has not been realized. In New York City, for example, the Criminal Court handles all arraignments and the disposition of all misdemeanor cases while the Criminal Branch of the Supreme Court handles the disposition of all felony cases after indictment.

While the first EDC Task Force study helped to streamline the Criminal Court system, therefore, it left untouched the organizational and management problems of the “criminal side” of the Supreme Court. A major step toward unification of the two systems was taken when, early in 1972, another EDC

Court Task Force of eight members began a study which resulted in a new report entitled, “Phase One—Reorganization.”

This report recommended a common management structure, under a single Administrative Judge, for the City Criminal Court system and the Criminal Branch of the Supreme Court in New York City. In late 1972, this proposal was approved by the Administrative Board for experimental use in New York and Bronx Counties. Effective in March 1973, Judge Ross was designated to direct the implementation of the plan. During the year, a number of duplicating units were consolidated and a new organizational structure—with “key positions” defined—was adopted.

Under Judge Ross the combined administration in New York and Bronx Counties controlled the court calendars, formerly handled by the District Attorneys’ offices, and directed the assignment of judges. New “part” structures have been introduced, the available “bench time” of judges has been substantially increased, and a comprehensive management information system has been put into “pilot” operation.

In the March-October period of 1973, the average duration of cases in the Supreme Court Criminal Branch was reduced in New York County and the Bronx, compared with the same period in 1972. By November 1973, the disposition of cases substantially exceeded the intake of new cases, significantly reducing the unfinished case backlog in both Counties. Supreme Court defendants in detention awaiting trial or sentencing decreased from 2,575 at the end of 1972 to 1,921 at the end of 1973. Citywide, the total of detained

defendants in the entire criminal justice system, both Criminal and Supreme Court, has been reduced from 6,000 in mid-1972 to 3,700 at the end of 1973—an 18-year low.

Richard F. Coyne, EDC Vice President and Task Force Chairman, sees reason to believe that improvements on the Supreme Court side have been significant, during 1973, like those already documented in the Criminal Court.

Reorganization of the Supreme Court’s Civil Branch

In 1973, a third EDC Court Task Force of eight members, also directed by Mr. Coyne, completed a study entitled “Report on the Civil Branch—New York County” with recommendations for the improved organization and operation of civil proceedings in the Supreme Court. This report was submitted to Presiding Justice Owen McGovern of the Appellate Division, First Department, and its implementation was undertaken by Administrative Judge Edward R. Dudley.

Chief among the recommendations in this report is one which makes a single judge responsible for all aspects of a case until its disposition and affords each judge a degree of flexibility in managing his own caseloads. The new system also permits the reassignment of cases when individual Parts become seriously backlogged.

Two additional Task Force documents were compiled to help modernize court clerical procedures, records management, and systems. One is a 104-page “Procedures Manual” which details the steps needed to process and register all cases in the Individual Calendar (IC) and Special Terms of the Civil Court. The other is a 68-page report con-

cerning the New York County Clerk's office entitled, "Documentation of Procedures for Supreme Court-Related Functions."

State Court Management Task Force

In the Spring of 1973, Chief Judge Stanley H. Fuld of the State Court of Appeals requested that EDC undertake a complete study of—as it was then known—the State Court Administrator's Office and the related Departmental Offices of Administration. These are the highest levels of the entire unified state court system. Chief Judge Charles D. Breitel, elected to succeed Judge Fuld in November 1973, expressed his full support of the project.

Accordingly, EDC set up a new five-man Court Task Force in July 1973. Major objectives of the Task Force study include: (1) Increased use of the State Office's authority to manage the court system, set standards, define policies, and monitor performance, (2) Improved communications with court administrators at the operating levels, and (3) A modernized budgetary system.

The "Human Values" of Reorganization

The operational value of the Task Force principle in the reorganization and improved management of governmental departments and agencies can usually be stated in the dollars-and-cents terms of budgetary savings. Other values must be measured in human terms—in their beneficial effect on the community and on the people concerned.

Chief among these is the increased "job satisfaction" of the government employees themselves. EDC experience in all areas shows that the

great majority of civil servants are dedicated people who want to take pride in a "job well done." Instead, they are often frustrated by lack of clear lines of authority and responsibility and by obsolete systems and procedures. Once they understand the role of the Task Force, they welcome and utilize all the help they can get in modernizing the delivery of governmental services to the public.

Business-government cooperation has worked effectively to correct some serious problems of concern to all citizens. For example:

- Early in the work of the Criminal Court Task Force a top court administrator said: "The best thing you fellows can do for me is to find out who my boss is." And, indeed, the Task Force found that a chain of command was sadly lacking in the confused complex of specialized courts, or "Parts," which had grown up through the years.
- Such a cumbersome structure meant that a defendant might have to appear in as many as five different courts having different judges, prosecutors, and defense attorneys. Between these appearances, adjournments lasting weeks and sometimes months occurred.
- Nobody knew the number and average length of these adjournments, however. Records were kept by hand in old bound volumes scattered in 11 different court-houses throughout the city.
- Behind the phrase, "defendants in detention," lay a social problem of great importance to the community. "While thousands of defendants languished in jail for weeks and months awaiting trial,"



said a Reader's Digest report in 1972, "other thousands—many with long criminal records—walked the streets free on bail for months or even years before the judges could get to their cases."

In further evaluation of Task Force results, another dimension emerges. This is described by EDC Vice President Harold A. Finley, who directed the first Criminal Court Task Force, as a process whereby a reduction in the "quantity" of governmental effort tends to improve the "quality" of governmental services. "When the pressure of a huge backlog of unfinished cases is diminished," Mr. Finley says, "judges have more time to think about the just disposition of current cases. Prosecutors, policemen, and defense attorneys can give more attention to the execution of justice and less to routines which are time-consuming and often meaningless."

Recognition and National Significance

As Presiding Justice Stevens observed the work of the first Criminal Court Task Force, he termed it "a landmark in pointing out to the entire nation how the public and private sectors can work together for the common good." Administrative Judge Ross, who gave such strong direction to the task of reorganization, said that Task Force assistance was "absolutely invaluable in implementing the plan." Justice Ross exemplifies the qualities of leadership which EDC has always stressed as essential to the revitalization of government operations.

Presiding Justice McGivern, in commenting on the EDC Task Force study of the Supreme Court's Civil Branch, expressed warm thanks to EDC Chairman Champion, Vice

Chairman Grazier, Vice President Coyne and the three insurance companies—Metropolitan Life, New York Life, and Equitable Life—which provided the Task Force members. "The Administrative Judges and the staff personnel of the courts at all levels," he said, "have welcomed the Task Force studies and made good use of them, as the results to date show clearly."

In a recent national survey, the New York City Criminal Court system was rated as "the most innovative in the country." The survey covered 165 criminal courts in all cities having a population of 100,000 or more. New York ranked first with a score of 27 points out of a possible 30. The all-city average was 12.

Leading institutions in the field of judicial administration—including the 40,000-member American Judicature Society—have singled out the New York example as worthy of national attention and visitors have come from many states to observe its workings. The Task Force concept has been widely reported in legal and administrative publications. Nearly 2,000 requests for information have been received from cities in the United States and abroad. In some Connecticut courts, the Task Force concept, including the use of insurance personnel, has already been applied.



Business and the Human Resources Administration

HIGHLIGHTS OF 1973. New York City's huge Human Resources Administration (HRA), with an annual budget of \$2.5 billion and 30,000 employees, provides public assistance and social services to some 1.3 million New Yorkers. Although it was designated as a City "Super-agency" in 1966, HRA was, in fact, a loose confederation of semi-autonomous agencies which was characterized in a 1969 City Council report as a "body with a head looking down on, but not controlling, any of the limbs."

In January, 1973, HRA announced adoption of a far-reaching Reorganization Plan based on a joint HRA-EDC Task Force study. In essence, the Plan provided for: (1) Consolidation of 19 assorted bureaus and agencies into five "line departments," grouping related functions in each; (2) Establishment of clear lines of authority, responsibility, and accountability throughout the new structure; (3) Definitive job descriptions for managerial personnel; and (4) Reduction of the number of top executive positions from 43 to 35.

At the request of Jule M. Sugarman, then HRA Administrator, the Task Force began work in 1971 with concurrent study projects in five main areas of HRA's operation. First priority was given to the Reorganization Plan as a means of paving the way for the implementation of specific Task Force recommendations on employment, public assistance, productivity, and fiscal procedures.

During 1973, substantive implementation of the Reorganization Plan was carried forward on several fronts. In addition to the restructuring of major line and staff agencies, new "chains of command" were

established and top executive positions were reduced to the recommended 35. Managerial job descriptions were completed, providing for the recruitment of persons having the professional skills and leadership needed to make the new organization effective.

Restructuring of the Department of Employment was implemented and a new Comprehensive Manpower Center was established to expedite job placement and preparation. A plan for the integration of diverse social service delivery systems was designed for application in the Department of Services through a network of 40 district outlets.

Potential Savings —\$78 Million a Year

In conducting its studies during 1973, the Task Force utilized the equivalent of about 16 man- and woman-years of "on loan" managerial time and skills supplied by EDC Member Companies. On this basis, "contributed services" during 1973 were about \$400,000. In the aggregate, since the study began in July of 1971, an estimated 29 man-years and \$733,000 of contributed services have been made available without cost to the City.

At the end of 1973, total budgetary savings of about \$78 million a year in all areas of HRA's operation were anticipated to be shortly realized. Potential additional economies of almost equal size were expected to proceed from other recommendations having a longer implementation cycle.

Savings, however, are only one measurement of the improvements in HRA's organization and management. In 1971, this vast and cumbersome agglomeration of agencies with a rapidly expanding caseload was all



but overwhelmed by backlogs of unfinished business. Today, HRA has the capabilities needed not only to deliver its services more efficiently but to work more effectively in “helping people to help themselves.”

Significantly, the HRA experience demonstrates that sound business practices can make even the largest and most complex government agencies more efficient and responsive to public needs—without increased expenditures, personnel, or facilities. EDC Vice President and Task Force Chairman Harold A. Finley and his aides have documented a series of major projects—complete or “in process”—that HRA staff has initiated to improve its Administration’s operations. These reflect its increased capability to deal with its problems, given the proper organization and leadership.

Employment Program —From Welfare Rolls to Payrolls

During 1973, HRA’s job placement and preparation functions were restructured in the Department of Employment with a reduction in total personnel requirements of 534 or \$5.1 million in costs. At the same time, an innovative new program was launched to help people to get off the welfare rolls and onto payrolls.

In theory, the City has long had responsibility for finding jobs for welfare recipients by determining their employability, training them, developing employment opportunities, and referring them for placement. In practice, the concept has never worked well. This was partly because HRA’s client and job development and placement capabilities were extremely limited and partly because they were never properly integrated with those of the

New York State Employment Service (NYSES) and other agencies performing employment functions in New York City. While NYSES already operated a computerized “job bank,” for example, HRA was planning to develop one of its own at an estimated cost of \$4.5 million.

After close study, a new approach was suggested by a Task Force Project Team headed by EDC Vice President Anthony M. Morelli. Closer coordination with the New York State Employment Service and other agencies in the field was proposed to make full use of the new Work Relief Employment Program (WREP) which was just going into effect. In essence, WREP provides for the employment of Home Relief recipients in “public” jobs, mostly with the City, when openings in the private sector cannot be found.

In 1973, for the first time, HRA and NYSES joined forces in the establishment of a new Comprehensive Manpower Center (CMC) as recommended by EDC. The Center combines the facilities of City and State, including the NYSES “job bank,” in a concerted effort to help welfare recipients to “break the job barrier.”

Thus, when Home Relief applicants are found by HRA to be medically employable, they are referred to CMC. If they are not job-ready for placement in the private sector, they are placed in City jobs, as office assistants, mechanics, couriers, health aides, and the like. Efforts to prepare them for private sector employment are continued while CMC seeks out new opportunities through its job development program.

As the first Comprehensive Manpower Center, located on Manhattan’s West 26th Street, gets deeper into its work, others are planned to follow.



A citywide network of 12 Centers was recommended by EDC for full development of this potential breakthrough in the fight to break the "poverty cycle" for the City's disadvantaged. By the end of the year, nearly 10,000 former Home Relief recipients had found jobs under the Work Relief Employment Program—about 20 percent through the pilot CMC. Meanwhile, some 4,800 Home Relief applicants, deemed employable by HRA, failed to report for work assignments, eliminating the need to pay \$2.6 million a year in Home Relief grants.

Public Assistance, Eligibility Determination, Social Services

Financial aid in the form of Public Assistance, Medicaid, and Food Stamps, is available through HRA to all those who meet the eligibility requirements. In the Income Maintenance area (which largely means welfare disbursements), EDC helped HRA to cope with serious problems in systems, records management, and computer utilization. In the effort to keep abreast of mounting case-loads, thousands of HRA employees were involved in routine clerical chores often unrelated to their real skills.

The Task Force helped HRA to resolve some of its backlog problems and to recruit executives and EDP management specialists needed to re-engineer its computer and operating processes. Trained case workers were released for more relevant tasks.

At the same time, the Task Force was digging hard at the question of public assistance eligibility determination. This is a vexing problem, locally and nationally. In a recent nation-wide sampling, the U. S. Department of Health, Educa-

tion and Welfare found that more than 10 percent of those receiving public assistance are ineligible, 23 percent are overpaid, and 8 percent are underpaid, causing an over-all national loss estimated at \$1.17 billion a year. In New York City, the Task Force found an even higher percentage of error in all categories, causing a probable loss of at least \$68 million a year.

Accordingly, EDC has designed and proposed a new "Modular Development of Public Assistance Eligibility" which, Chairman Finley believes, should virtually eliminate errors other than fraud in eligibility certification. In essence, the plan provides "decision tables" for each eligibility topic to simplify interpretation of many hundreds of different rules and regulations. Pilot-testing of the plan began in 1973 in the Queens Welfare Center under joint surveillance of HRA and the New York State Department of Social Services. Preliminary reports on the pilot test proved most favorable. Because of the nation-wide scope of the problem, EDC has informed the Department of Health, Education and Welfare concerning the new methodology and the pilot tests.

The mandated separation of income maintenance and social service functions gave rise, during 1973, to the restructuring of the HRA Department of Services. This made available for transfer hundreds of case workers to perform social services in other sectors of HRA where shortages existed. At the same time, a plan was developed to simplify the distribution of social services by combining several delivery services into one. This will find focus in a projected network of 40 Community Service Districts where a full range of social services will be uniformly available.

Productivity Project

In HRA, as in all organizations, the effective utilization of employee time and effort underlies the success of improvements in organization and management. Low productivity usually indicates the need for intensified employee training, improved supervision, and Work Measurement to determine the amount of actual staffing required to balance work force with work load.

By this means, performance standards can be set, the flow of work scheduled and controlled, and the level of productivity raised. Not surprisingly, early tests made by HRA in four sample units showed that personnel utilization—stated in terms of “Work Time”—ranged from about 35 to 50 percent.

With this much room for improvement, EDC called on two major New York accounting and consulting firms for assistance based on their own extensive experience in the field. At no expense to the City, Arthur Andersen & Co. and Arthur Young & Co. agreed to direct a pilot productivity improvement program for HRA.

In the fall of 1973, these two firms trained six HRA management analysts in Methods Analysis and Work Measurement, using the same principles with which they train their own professional staffs. Then a pilot project in Methods Improvement was conducted under the supervision of the two firms at an HRA Income Maintenance Center in Brooklyn.

On the basis of this test, a 20 percent increase in productivity can readily be foreseen from Methods Improvement alone. When this improvement is installed, the Work Measurement Phase of the pilot study will take place. The pilot project

was designed to permit replication of methods and staffing improvements by trained HRA staff members in some 40 other welfare centers throughout the City. The project also provides a model for other City departments and agencies.

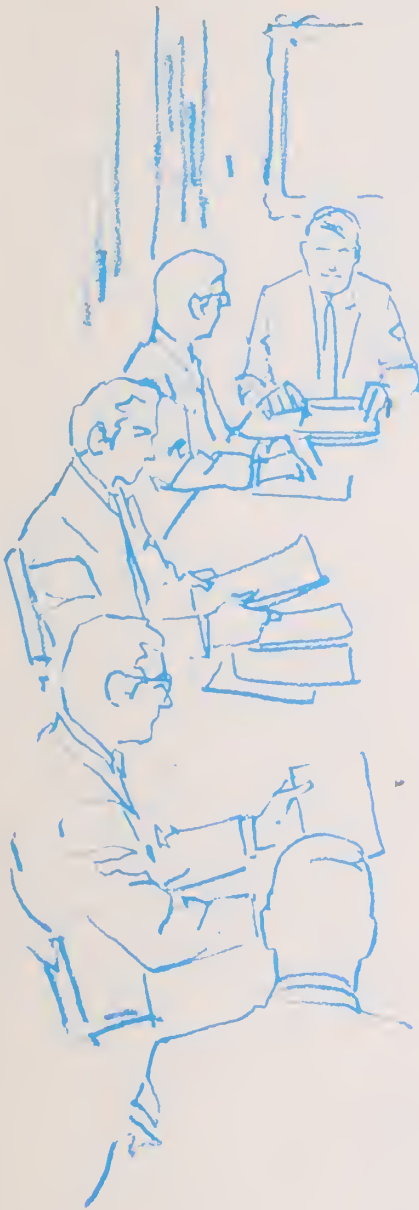
Redesign of Fiscal Procedures —Internal Accounting

An EDC Task Force Project Team began its work with a study of some 465 different fiscal transactions performed in 20 accounting sections of HRA employing some 1,200 people. The Task Force made 190 specific recommendations for the improvement of fiscal operations at the sectional level.

Going further, the Task Force in 1973, using the computer facilities and technical assistance of a third accounting firm, Haskins & Sells, prepared a comprehensive plan to provide HRA with an internal accounting system. This system is designed to provide fiscal accountability for all key positions and improve HRA's ability to substantiate funds claimed for reimbursement from the state and federal governments. The plan also supplies the management tools needed to prevent over-expenditures by program and provides program cost-benefit evaluations. Adoption of this proposal, the Task Force feels, will result in substantial reductions in expense and improved efficiency and control over fiscal operations.

Products and Byproducts of Business-Government Cooperation

In reviewing 1973 developments, Task Force Chairman Finley spoke of



the spirit of cooperation in which HRA's "dedicated people" worked with EDC in a joint effort to solve the Administration's massive problems. While much remains to be done, the Task Force principle has so far been validated by the examples already cited. Others include:

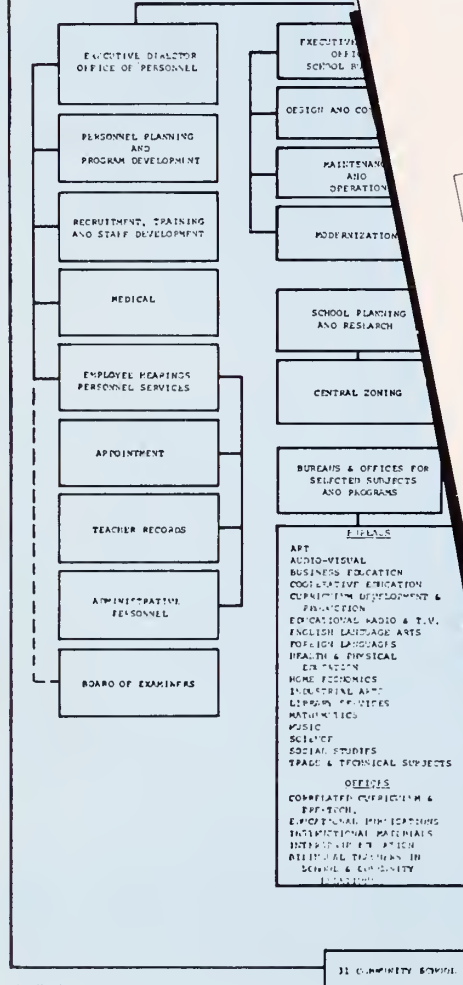
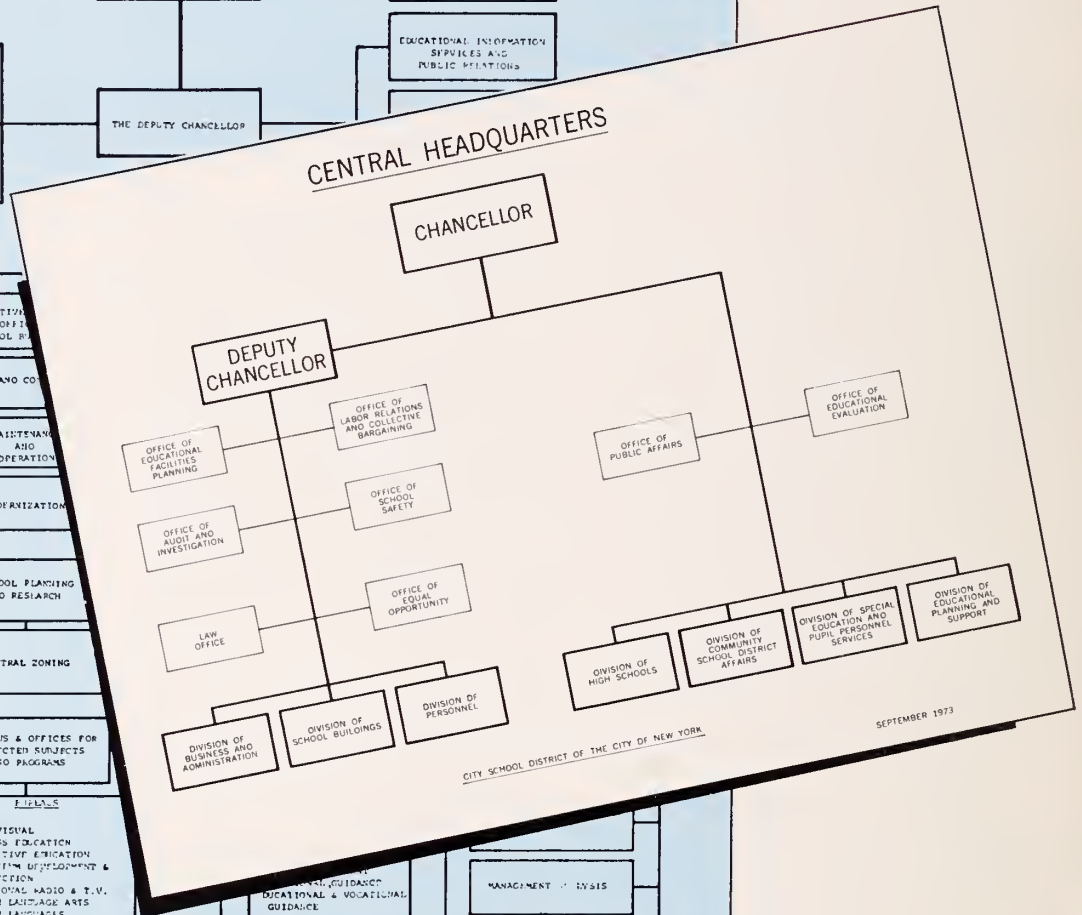
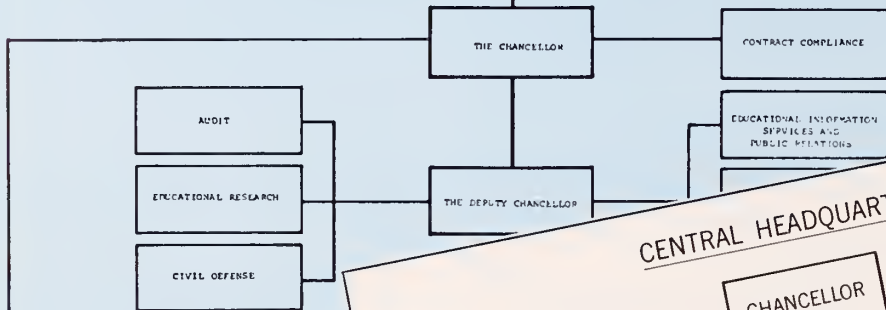
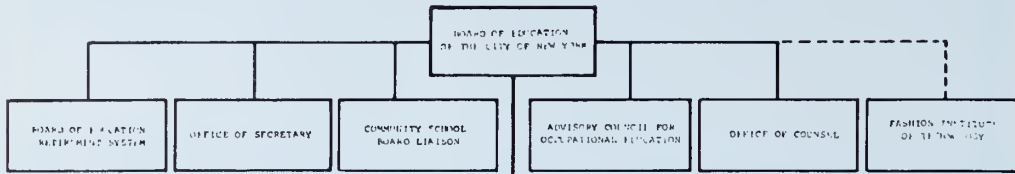
- A reduction of 33 percent in employee absence rates, giving HRA the second best attendance record among all City Administrations.
- Appointment of a single HRA Personnel Director to resolve the functions of several previous personnel systems.
- Consolidation of HRA purchasing operations into a single system.
- The release of hundreds of trained case workers, long involved in routine clerical chores in Income Maintenance, to return to their real work of counselling and guiding the poor, the aged, and the handicapped.

- A study analyzing federal legislation and the changes needed to eliminate ineffective programs and specifications and improve HRA's overall operations. This study, soon to be issued, was made by Arthur Young & Co.

Implementation of all Task Force recommendations will extend into 1974 when a new City Administration and a new HRA Administrator will have taken office—and EDC will have terminated its assignment. Final results of the HRA-EDC program will, of course, depend on the new Administrator's continued implementation of the recommendations.

In its ultimate impact, the HRA program—if fully implemented—will reach far beyond the confines of HRA. Other City departments and agencies, not only in New York but in cities throughout the country, can utilize the Task Force principle with significant results in terms of increased efficiency, economy, and service to citizens.

CHART OF ORGANIZATION OF THE PUBLIC SCHOOL SYSTEM OF THE CITY OF NEW YORK



Business and the New York City Board of Education

HIGHLIGHTS OF 1973. Viewed as a “big business,” New York City’s Board of Education (BOE), with an annual budget of \$2.5 billion and 130,000 employees, would rank with the nation’s 12th largest industrial corporation. Yet, in its operation of the city’s far-flung system of 966 schools serving 1.1 million pupils, the Board has long been hampered by lack of the most basic tools of modern business organization and management.

In 1971, by unanimous request of the Board and the Chancellor, an EDC Task Force began an in-depth study of BOE’s massive headquarters structure, its complex ramifications, and its business methods and procedures. Clearly the answer to the Board’s problems did not lie in larger appropriations and more personnel. In six years, BOE’s budget increased 80 percent and its total employment increased 25 percent while the number of pupils rose by only 7 percent. Yet the quality and effectiveness of the educational system had visibly and steadily declined.

Early in 1973, the Board and EDC jointly announced a sweeping reorganization program designed to:

- (1) Reshape BOE’s huge, topheavy headquarters structure into two main functional alignments;
- (2) Straighten tangled lines of authority, responsibility, and accountability from top to bottom;
- and (3) Modernize BOE’s outmoded, costly, and cumbersome management procedures.

Implementation of the program got well under way in 1973. At headquarters, scores of unrelated bureaus and other units were pulled together in two clear lines—Educational Services, reporting to the Chancellor, and Management, reporting to the Deputy Chancellor. This, in effect, gives BOE an “educational arm,” free to concentrate on improvements in the

process of teaching and learning, and a “management arm” to provide more efficient logistic service in every area of school operation.

In the course of reorganization, some 15,000 employees were transferred, during the year, to more appropriate positions in the new structure. To strengthen the educational arm, four new Executive Directors were named. Under their direction, a host of units were regrouped functionally in four Divisions—Community School District Affairs, High Schools, Special Education and Pupil Personnel Services, and Educational Planning and Support. Thus the flow of communications and action moves through four definite channels of responsibility, related purposes, and objectives, up and down the line.

Both Board President Seymour P. Lachman and his predecessor, Joseph Monserrat, joined in strong support of reorganization in 1973. And Chancellor Irving Anker, in a system-wide announcement of the program, said: “Emphasis will be on changes needed—not for the sake of change but to ensure that every dollar spent to support central services makes a positive contribution to the education of children. This great school system of which we are a part must move forward to effect the changes desperately needed in education in this city.”

Economies to Date Set at \$10 Million —10 Percent Savings Seen

At the same time, BOE’s management arm was strengthened by consolidation of a number of units in three principal Divisions—Business and Administration, School Buildings, and Personnel. Task Force recommendations were meanwhile being implemented in key areas, such as audit review, payroll

processing, and Community School District reorganization.

EDC Vice President Edward A. O'Rorke, Chairman of the Task Force, reports that, during 1973, 14 man- and woman-years of "on loan" managerial time valued at \$352,000 were contributed to Task Force work by EDC Member Companies. Total contributed services since the start of the program in 1971 are valued at approximately \$800,000—without cost to the City and its taxpayers.

Budgetary savings attributable to the program to date are estimated at \$10 million a year. Chairman O'Rorke believes that all Task Force recommendations—if fully implemented—would ultimately result in savings, through a reasonable 10 percent increase in operating efficiency, of approximately \$250 million a year. Major management improvements either accomplished or set in motion in 1973, should yield measurable economies in the near future.

Audit Review, Budgeting, Payroll Procedures

In 1973, the Task Force completed an intensive review of the Board's auditing procedures, made specific recommendations for their improvement, and began to assist BOE financial officers in their implementation. The Board also adopted an EDC plan for consolidating three separate and uncoordinated financial functions into a single unit.

In its analysis, the Task Force concluded that the Board was operating without an accounting or audit section in the accepted sense of those terms. This finding was confirmed in a legally-required audit study by a major accounting firm. During 1973, in fact, BOE found itself unable to determine

the exact amount of its 1972 expenditures—or to verify its belief that it still had some \$20 million in unaccounted funds.

Also largely lacking in BOE operations is a modern budgeting function. In 1973, at the Board's request, the Task Force outlined a study leading to the establishment of an up-to-date budget bureau capable of classifying and controlling expenditures. The budget recommendation will be ready for implementation at the end of the year.

In the school system's payroll processing procedures, BOE and EDC found need for immediate action in 1973. A Task Force study in the previous year revealed that new employees had to wait an average of more than six months to receive their first paychecks—and that more than 90 percent of these would be incorrectly made out.

Implementation of EDC's first-phase recommendations resulted, on October 1, 1973, in the prompt, correct, and full payment of all teachers in the system—for perhaps the first time in memory. New controls also eliminated the continued payment of teachers who were actually off the payroll—a practice which, in 1971, had caused overpayments of an estimated \$8 million. A second-phase study of payroll procedures paves the way for their complete mechanization which is expected to produce substantial gains in efficiency and economy.

Management Information System—Warehousing, Purchasing

Modernized payroll processing constitutes one of the many necessary steps toward development of a Management Information System for BOE. Establishment of a central, reliable

statistical center will be another major move toward this goal. While the groundwork was laid and a blueprint was drawn in 1973, an estimated five years will be required to construct a complete Management Information System. Eventual savings which this plan would produce are estimated at a minimum of \$20 million a year.

In 1973, the Task Force began a study of BOE warehousing and purchasing procedures and instituted a control system which, in its first month of operation, cancelled \$350,000 in unnecessary purchases. The study also found that an inventory base related to usage was lacking, causing heavy inventories which are far in excess of requirements.

Community School District Organization—A Model Plan

Under the School Decentralization Law which became effective in 1969, New York City's elementary and junior high schools were placed under community control for the first time. The City was divided into 32 Community School Districts with an elected, unsalaried Community School Board, composed of local citizens, and a Community Superintendent in charge of each.

In practice, the Decentralization Law was far from specific concerning the organization of the Community School Districts and the effective use of their administrative and educational staffs. Consequently, the District Community School Boards were left to work things out as best they could. BOE and EDC came to early agreement on the need for guidelines to help the Districts with their problems of organization and management—if a way could be found to meet this need.

In 1973, the Community School Board of District 24 in Queens called on EDC for help in reorganizing its

operations. The District includes 24 schools and 24,600 pupils, a Community Superintendent and staff, and the Community Board, its headquarters office and staff.

Intensive analysis of District 24's structure and functions was begun in May, 1973, by a two-man EDC Task Force team. Some 49 fact-finding interviews were conducted covering a broad cross-section of school supervisors, principals, and staffs, and the Community School Board and its aides, and relevant Central Board of Education officials.

Job descriptions were compiled and compared, related functions were examined, and, in August, the EDC team completed an 84-page report with specific recommendations for reorganization of the District Office. Here, as in the case of the Central BOE plan, functions were realigned, reporting relationships were revised, and the educational and management "arms" were clearly identified. In October, the Community Board approved the plan and implementation, with the help of the Task Force, began shortly thereafter. Progress will be closely monitored in the expectation that District 24's reorganization can serve as a "model" for adaptation in other School Districts throughout the City.

Shortening the School Construction "Contract Cycle"

Through the years, a tortuous and time-consuming "contract cycle" has developed in the construction of new schools in New York City. From the time a project is proposed, approved, and put onto the drawing boards until the new building is completed, five years, on the average, are likely to elapse.

Legislative red tape festoons the process. Countless rubber stamps of



approval must be obtained from the various City agencies concerned. Overlapping jurisdictions further complicate the long, slow journey to completion. No particular agencies, bureaus, or individuals can be found at fault for the delay—it's just the way things sometimes work in government.

In 1973, BOE and EDC joined in a search for ways of reducing the length of the building contract cycle. Under the reorganization plan, the Division of School Buildings had already been given principal status in the BOE management structure. This cleared the way for a Task Force study of the entire cycle, step by step.

At the end of the year, the study was completed with recommendations which, when implemented, are expected to reduce the contract cycle by a full year, with eventual savings of approximately \$20 million a year.

Management Training— Five Companies Develop a Course

Management training, a long-established corporate practice, embodies principles of great potential use to government. In 1973, BOE officials asked EDC to develop a training course for school executives in management techniques and philosophy along the line of courses commonly given in industry.

A group of specialists from EDC Member Companies was assembled by the Task Force to lay out a course of five workshop sessions on such sub-

jects as management analysis, communications, motivation, leadership, delegation, organization planning, “simulation games,” and executive self-development. Five companies agreed to conduct the sessions, each for a full day or more, in 1974. BOE readily accepted the plan, scheduled to involve approximately six executives from each of the Management Divisions initially. The prototype courses will be documented by the Personnel Division for replication at management levels throughout the school system.

This points up one of BOE's most besetting problems—the need for skilled capable executives with the qualities of leadership required to follow through effectively on the implementation job. In the last analysis, the success of this or any organization will depend on the selection of highly qualified people for key positions.

Education Information System, Accountability, Planning and Research

Task Force Chairman O'Rorke, reviewing 1973, saw a year of accomplishment reflecting a “growing spirit of dedication and teamwork on the part of the many educators and administrators who have worked cooperatively to improve the school system.” Among other projects under way in 1973, he listed:

- The Education Information System (EIS), a central data bank enabling

all high schools to schedule each student, subject by subject and class by class, and keep exact attendance records. This plan, approved by BOE in 1973 and scheduled for full implementation in 1974, is another necessary element of a complete Management Information System.

- In 1973, EDC assisted BOE in preparing for the adoption and implementation of an “accountability” program—a landmark in the measurement of educational performance in the schools. The plan had been formulated by outside experts and had been under study for several years, awaiting a roadmap for its implementation.
- School Planning and Research—a Task Force study of existing methods and policies was completed in 1973 with recommendations for strengthening and improving this much-needed component of a Management Information System.

Underlying all these tangible improvements in BOE organization and management is one central objective—better education and greater opportunity for the children of New York City. Substantial budgetary savings can be attained well above those already recorded. But the real results of reorganization—in terms of young lives made meaningful, teaching careers fulfilled, and the City's human assets more fully developed—are quite beyond calculation.

Business and the High School Partnerships

HIGHLIGHTS OF 1973. Deep-seated problems in New York's "inner city" high schools gave rise, in 1969, to EDC's School Partnership program. For the first time, teams of young executives, "on loan" full-time from EDC Member Companies, worked on a daily basis in four city high schools in disadvantaged areas. There the teams, three to five in number, joined administrators, teachers, students, and parents in a cooperative search for better educational methods and ideas.

Free to innovate and explore, the Partnerships launched scores of pilot projects in every area where business experience and business people, backed up by educational consultants, might conceivably help to motivate young people toward further education and careers. Massive obstacles—overcrowding, high absence and dropout rates, and serious language difficulties—heightened the challenge.

From the start, "multiplier effect" has been the program's primary goal. The four Partnership schools—James Monroe in the Bronx, Louis D. Brandeis and George Washington in Manhattan, and Bushwick in Brooklyn—are representative of some 30 New York high schools (out of a total of 96) where inner city problems prevail. Hence the search was for projects suitable to widespread "replication."

"Self Renewal Process" to Be Extended to Ten Schools

By 1973, many Partnership projects had arrived at—while others were nearing—the replication stage. Evaluation of the program had convinced EDC and the school authorities that the next problem would lie in translating the Partnership experience into more general utilization.

In 1973, EDC and the New York City school system agreed on a new program, the "School Self Renewal Process," designed to convert the Partnership results into a replicable "model" for use in inner city high schools not only in New York but throughout the country. Beginning in 1974, the Process will be installed in the four Partnership schools and, eventually, as many as six other schools.

Essentially, the Self Renewal Process is designed to stimulate planning, goal setting, and project implementation within the schools themselves, relying primarily on their own resources and leadership. They will begin with a "blueprint" in the form of a manual, prepared by EDC, on the planning and development of a Renewal program—in effect, an application of Organization Development Techniques in the schools.

Coordination and training will be provided by EDC. Two new Board of Education Divisions—High Schools and Educational Planning and Support—will give direction and support to the Renewal program. They will also allocate a coordinator and several developmental teacher positions to each participating school.

Thus the essence of the five-year School Partnership experience will be distilled and projected into a "second generation" self renewal "model" and process. EDC Vice President Floyd O. Flom, Director of the Partnership program since its inception, points out that the 1973 reorganization of the Board of Education headquarters structure has helped to facilitate the Renewal program. (The reorganization plan was based on an EDC Task Force study—See page 17.)



“Open Doors” Becomes an EDC-Sponsored Career Program

In 1973, EDC agreed to assume responsibility for the continued operation of “Open Doors,” a non-governmental career guidance agency directed to counsellors and teachers in the junior and senior high schools. Open Doors had previously been sponsored by the Public Education Association.



Open Doors is designed to improve communications between educators, charged with orienting students toward “the world of work,” and employers whose career opportunities and manpower requirements need to be better known. Some 180 participating companies are involved.

Through teacher workshops and accredited study courses, curriculum guides, and publications, the program literally opens the doors of career opportunity to thousands of students. In their new venture, EDC and its Member Companies will supply up-to-date information, teaching materials, and advisory services while the Board of Education will allocate two teachers to work directly with Open Doors.

Feasibility, Exploration, and Discovery

In its basic thrust, the Partnership program has always aimed at the full development of the city’s most important asset—its potentially productive people. Breakdowns in education pose a serious threat to the economic and social progress of any city. Giving impetus to the Partnership program in 1969, it was found that, of 80,000 students leaving the high schools annually, only 30,000 received diplomas in academic,

commercial, vocational, or technical courses. The latest available (1972) figures show no great change in this picture.

While the Partnership concept had been partially tested in other cities, the EDC program was designed to develop its full potential on an unprecedented scale. In 1973 alone, more than 11 working years of “on loan” executive time, valued at \$291,700, were contributed to the program by EDC Member Companies. Since the Partnerships began, contributed services have totalled 57 work-years valued at \$1.2 million.

Exploring untrodden ground, the Partnerships began with intensive “feasibility studies,” by school and EDC representatives and educational consultants. Commitments were reached only after a series of frank and open meetings with school administrators, teachers, students, parents, and representatives of the school community. Among themselves, they identified the schools’ problems, determined priorities, set goals, and requested EDC’s assistance.

Although the schools shared common inner city problems, they differed individually. At George Washington, for example, the most immediate obstacle to learning proved to be student disorder. Clashes and disruptions in the cafeteria and the halls had kept the school closed more than 20 percent of the time in the term before the Partnership began. EDC consultants recommended improved food and service and student patrols in the cafeteria, reorganization of the school security system, and the general issuance of photo-identification cards. George Washington has been open daily ever since—and “ID cards” have become standard in junior and senior high schools throughout the city.

This was the necessary preface to a memorable revitalization of the learning process at George Washington. In all the Partnership schools, a new spirit has quickened the search by educators for better educational ideas—and awakened the desire of students to learn and achieve.

The Wide Range of Projects— and How They Evolved

For one thing, the very presence of the EDC teams has exerted a motivating effect on school staffs and students. These young executives symbolize the real concern of business for the problems of the schools and narrow the gap between students and the faraway, mysterious “world of work.” As members of the Partnership Program Planning Committees, they helped to generate and implement a host of projects ranging over every aspect of school life.

Partnership Program Director Flom notes that: “The projects they selected varied as much as the schools did. The diversity in the objectives established by the Planning Committees opened up the possibility that solutions created by one school could be used in another.” For example:

English as a Second Language (ESL). In 1970, it was found that, to about 55 percent of George Washington’s students, English was not the native tongue. Of these, about 85 percent were Spanish-speaking while some were grounded in French, Greek, Chinese, and other languages. From this there evolved a separate department, “a school within a school,” to teach English as a Second Language (ESL) students until they could be brought to the learning levels of regular classes.

While the project is still evolving, it has already been noted that attendance in ESL classes is the highest in the school—80 to 85 percent as against a schoolwide average of 70 to 72 percent. And, of 38 Honor Roll students, 15 were graduates of the ESL program.

In other Partnership schools, the language problem was looming larger, particularly at James Monroe which began two years ago to strengthen its ESL program. This, says Monroe Principal Irwin Fleischner, “has been a life saver for the hundreds of students who are unable to read, write, or speak English and, in many cases, are even illiterate in their native language.”

Career Education (LIFE) and Motivation. Inner city young people find it hard to visualize themselves as working members of the remote world (not far away geographically) where people have good jobs and pursue careers. This is a primary cause of dropouts. In the Partnership at Brooklyn’s Bushwick High School, great emphasis has been given to career education and motivation.

Bushwick’s program began with a Career Exploration and Development Course designed to open students’ eyes to the real possibilities within their reach. In the classroom, “living witnesses” came to report on their own experiences. Students made field trips to the headquarters offices of major EDC companies where they saw, with their own eyes, people like themselves actually working and looking to the future. Class attendance and grades began to improve.

This project developed into the Looking into Future Employment (LIFE) program, a comprehensive new career course, at Bushwick. Today career education courses have been introduced in the curriculum of every

department in the school at the Ninth and Tenth grade levels. With the aid of teaching materials supplied by EDC, students are learning how to select career goals and plan their education in accordance with their interests and aptitudes. Teacher workshops stimulate the process.

Course material developed with EDC's help at Bushwick is now being disseminated to other high schools throughout the city. Job readiness and career orientation courses have also been conducted at Brandeis and Monroe and a Career Opportunities Resource Center has been opened at George Washington.

Peer Mediated Instruction (PMI).

In remedial courses, students are "paired" at random at each session. During the first half, one acts as teacher, the other as pupil—then their roles are reversed. Both must demonstrate mastery of each step in learning before proceeding to the next.

This new method, developed at Columbia University, was introduced by EDC at Brandeis for remedial reading. The results were so promising that PMI was next adopted for remedial mathematics at Bushwick. Teacher training courses are helping to spread the use of the technique which is expected to play a major role in the Self Renewal Process.

Professional Development Program.

To help teachers find new dimensions in their calling, EDC introduced a special project at Monroe, based on management development techniques borrowed from industry. This Educational Applications and Assistance Group project, as it came to be known, attracted a \$100,000 grant from the

U. S. Office of Education for further development. Now the principle is being used by all city high schools in the Bronx—with every prospect of further extension through the Self Renewal Process.

"Peer Group" Drug Education.

A student-led attack on the drug problem was developed, with EDC assistance, at Monroe. Known as "The Brotherhood Establishment," this project used the "peer group" principle to mobilize students for understanding of the drug problem and to build resistance to "pushers" who soon were driven from the school. Extended and refined at Brandeis, the program was then authorized by school authorities for use in more than 30 New York high schools.

Student Health Program. In inner city schools, preventive health measures—and even routine physical examinations—have proved difficult, if not impossible, to maintain. Initiated with EDC assistance, a "Health Fair" held at Brandeis, involved more than 2,000 students in tests for the detection of common, but often overlooked, physical deficiencies and diseases.

Significantly, the tests revealed that many students had health deficiencies that impaired learning. As a result a full-time health counsellor was assigned to the school to conduct an ongoing health information campaign and follow through with students who were found to have health defects requiring care. Similar "Health Fairs" were held at George Washington and Monroe with results so promising that the New York City Department of Health has taken up the idea for widespread replication.

What the Partnership Principals Say

These are examples, chosen from a broad range of projects, which illustrate the "multiplier effect" possibilities inherent in the Partnership concept. Many others will enter the "second generation" phase of replication as the School Self Renewal Process goes into effect.

No budgetary savings can be traced, of course, to the unprecedented investment of business resources and personnel in the Partnerships. But, when EDC Directors recently visited the Partnership schools, Principal Murray Cohn of Brandeis said: "Your involvement here makes the school and classroom atmosphere much more positive and I believe this type of relationship between the high schools and industry should somehow become permanent and citywide."

Principal Samuel Kostman of George Washington spoke of the turnaround at his school, saying: "It has been nothing less than miraculous. Now, when I walk through the building, it seems almost impossible to believe that so much progress has been made in so short a time." At Monroe, Principal Irwin Fleischner said: "When I first became principal two years ago, I found that the five most promising projects in the school had been initiated by EDC." And Principal Leonard Gelber of Bushwick recalled the skepticism with which EDC was originally met in his school. "Today, those most critical then are among your strongest supporters," he said. "And your presence here has made a great impact on the school."

Business, the Facts, and the Future

HIGHLIGHTS OF 1973. In these times of fast-moving urban change, trends affecting the city's future must be accurately monitored and appraised. In 1973, two major EDC research reports helped significantly to clarify public understanding of a vitally important problem. The first report, entitled "New York's Public Sector Collective Bargaining," was published in June. The second, on "Public Pay Levels and Employee Costs in New York City," appeared in November.

Both reports were "firsts," bringing out little-known facts on an issue of increasing concern—the impact of New York's governmental labor costs on the economic strength and stability of the city as a whole. This relates to a problem of national proportions. Local government has become America's greatest "growth industry." Its total expenditures have risen from \$39 billion in 1960 to \$117 billion in 1972 while its total employment has increased from 4.6 million to 7.9 million during the same period.

In New York City, the growth rate has been even higher—from an expense budget of \$2.2 billion in 1960 to \$9.4 billion in 1972. In the same period, total City employment has risen from 198,000 to 297,000 while payroll costs have increased from \$1.1 billion to \$4.2 billion. Yet the City's population has remained about the same, at just under 8 million. And governmental services have not—to say the least—improved.

"Basic Alterations in Governmental Operations"

EDC's collective bargaining study covers the complex rules, procedures, and laws which govern the bargaining process at the local level and compares them with those prevailing in

other governmental jurisdictions. It also traces the widespread growth of unionism in the public sector locally. And this, the report says, "has led to some very basic alterations in the nature of governmental operations in this country."

Nationally, the percentage of union members in the public sector more than doubled, between 1956 and 1968, while union membership in the private sector increased by only 6 percent. By 1970, some 85 percent of public employees in New York State and its political subdivisions were included in collective bargaining units, as against a little more than 33 percent in the private sector. The report cites the impact of collective bargaining on municipal costs and the increasing tendency of public unions to make questions of management and policy "bargainable." If these trends continue, what lies ahead?

"Cities face the alternatives of reducing services, or sharply increasing taxes, or both," the report says. "Solutions may lie in the direction of more effective government negotiations, including the use of counter-demands, increased productivity, the 'contracting out' of some services, and information programs to make the public fully aware of the meaning and cost of union demands."

The Gap Between "Real" and "Assumed" Compensation

In the November study on "Public Pay Levels and Employee Costs in New York City," EDC points out that total compensation of City employees in five major categories actually exceeds their stated "base pay" by 31 to 49 per cent when premium pay, fringe benefits, and pensions are included. "A substan-



tial gap exists between the real and assumed compensation of civil servants,” the report says. It lists the following comparisons (prevailing at that time):

	Base Pay	Total Compensation
Policemen	\$14,300	\$21,359
Firemen	14,300	21,161
Sanitationmen	12,886	18,558
Teachers	15,750	21,481
Senior Clerks	8,261	10,864

“The viewpoint underlying this study is not that compensation for City employees is too high or too low but rather that more needs to be known about the manner and extent to which City employees are compensated,” the report says. “A comparison of New York City fringe benefits with other cities in the United States suggests that such costs are substantially higher here than the average for the other cities.”

Further, the report states: “The importance of public recognition of current earnings and total compensation levels for public employees rests in the fact that current and future labor negotiations move from the existing base and affect not only the base pay but many of the fringe benefit costs to the City.

“Where the uniformed forces are concerned, any pay increase for one union quickly translates into similar increases for all, together with adjustments in larger measure for superior officers, with comparable increases in fringe benefit and premium pay costs. The ultimate result of a \$1,000 pay adjustment for one union, then, translates into a total cost of \$120 to \$125 million a year.”

In New York City, with a ratio of one local government employee to 7.2 in the private sector, public pay levels already tend to exceed those for

comparable private sector jobs in many areas. Further escalation in public employment costs and taxes would hamper business in its effort to create employment and generate tax revenues by placing New York at a disadvantage in its economic competition with other cities.

Fact-Finding on Public Policy Problems

Both the EDC collective bargaining and pay level studies were reported in the news media and widely distributed to government officials, legislators, top business executives, union leaders, civic organizations, and others concerned with the subject. Both reports illustrate the value of fundamental fact-finding on vital problems of public policy. Since its inception in 1965, EDC has issued a number of other significant, and often influential, research reports. These include:

- “Policy Study #1—An Analysis of the Impact of Taxes on Jobs in New York City” (April, 1966)
- “Organization and Operation of the Department of Social Services” (October, 1969)
- “A White Paper—Housing, Rent Control, and the Future of New York City’s Economy” (May, 1970)
- “New York City’s Clerical Manpower Requirements and Problems” (June, 1970)
- “New York City’s Publicly Financed Manpower Programs—Structure and Function” (January, 1971) and
- “Pension Changes in New York City, 1962-1972” (August, 1972).

In addition, the EDC Task Forces have conducted in-depth studies



necessary to their own work and potentially useful to students of urban problems generally. Some 20 research reports have resulted from the Task Force studies of court administration alone and these are being widely disseminated. Documentation of the EDC "School Partnership" program is being prepared for use in other cities throughout the country.

The Economic "Climate," Jobs, and Goals

Since its inception, EDC's primary objective has been to help improve the City's economic "climate" and thus provide maximum employment and opportunity—"more and better jobs for more and more people." To monitor the elements of that climate—and detect major changes—requires a sophisticated mechanism akin to the most modern meteorological systems. At present, New York's economic fact-finding facilities are more like an old-fashioned weathervane.

Factors favoring the City's future are clearly visible. Recent trends in energy supply and transportation are working to turn the flow of industry, freight, and traffic back to the rails and waterways—hence back to the central cities. In this respect, New York enjoys a special position as an unsurpassed center of world trade, finance, and transportation. New York should be prepared to shape its economic development to take full advantage of these trends. But this calls for an expanded research base to guide the growth of appropriate enterprises from year to year.

New York's Future as a "City of Opportunity"

As a great "city of opportunity," New York should also look further

into the future and set goals—economic, vocational, social, cultural, and governmental—on which its people can agree. But this cannot be done without the development of a sensitive mechanism for amassing and continuously interpreting the relevant facts.

Monitoring Public Programs on a Cost-Benefit Basis

Governmental costs are a crucial element of the urban economic "climate." Taxes enter heavily into the cost of goods and services to all the City's consumers. Excessive tax burdens put a blight on the ability of business to provide employment for the City's people. By helping to make government more efficient, therefore, EDC's Task Forces are serving an essential and primary purpose.

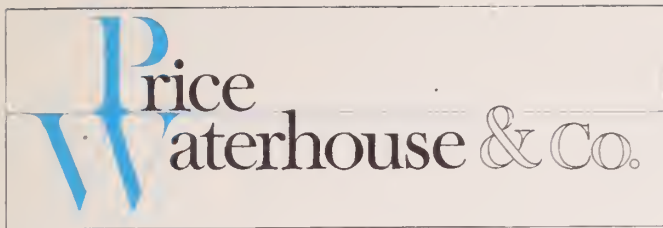
Also vitally needed is accurate evaluation of the costs and benefits of large-scale governmental expenditures. Vast programs are often undertaken, at short range, without real consideration of their long-range results. Programs proliferate to such an extent that they become difficult to identify—or even enumerate.

As an example, EDC's research report on "New York City's Publicly Financed Manpower Programs—Structure and Function" (1971) provided the first "inventory" ever made of the multiplicity of job training agencies which have grown up through the years. The report found 44 such programs, costing approximately \$120 million a year in public funds, which it termed "fragmented, overlapping, and duplicative while, at the same time, inadequate for all important areas of need."

What Are the Real Costs . . . and the Real Benefits?

Clearly, massive and continuous fact-finding is needed on a broad range of issues—fiscal policy, collective bargaining, housing, transportation, subsidies, health care, public safety, social services, and education. All too often officials, legislators, and privately-funded organizations have pressed for the expansion of social programs without submitting them to one fundamental test: How well do they help people to help themselves? What, for example, are the real costs and the real benefits—in terms of their effect on the community and the individual—of such things as housing subsidies, day care centers, and "open enrollment" in the City University system?

Public opinion must be more fully informed through a process of constant, objective review before goals and priorities can be set for programs of maximum benefit to the City and its people. Citizens, given the facts, can make sound policy decisions concerning New York's economic and social future. The task of finding the facts and making them known devolves primarily on business leadership.



SIXTY BROAD STREET NEW YORK, NEW YORK 10004 212-422-6000

February 4, 1974

To the Board of Directors

Economic Development Council
of New York City, Inc.

We have examined the balance sheet of Economic Development Council of New York City, Inc. as of December 31, 1973 and the related statement of income, expenses and changes in fund balances and statement of functional expenses for the year. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As more fully described in Note 2, effective January 1, 1973, EDC adopted a policy of recording a value for the services of executives loaned to EDC. Accordingly, \$1,212,500 has been reflected both as income and as expense in the statement of income, expenses and changes in fund balances.

In our opinion, the financial statements examined by us present fairly the financial position of Economic Development Council of New York City, Inc. at December 31, 1973 and the results of its operations for the year, in conformity with generally accepted accounting principles which, except for the change with which we concur referred to in the preceding paragraph, have been applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

Financial Statements

ECONOMIC DEVELOPMENT COUNCIL OF NEW YORK CITY, INC.
Year Ended December 31, 1973

Balance Sheet

Assets	
Current assets:	
Cash including time deposits and certificates of deposit of \$250,000	\$295,898
Prepaid expenses and other assets	34,105
Total current assets	<u>330,003</u>
Fixed assets (Note 2):	
Office furniture and equipment	38,145
Leasehold improvements	3,465
	41,610
Less—Accumulated depreciation and amortization ..	<u>20,676</u>
	20,934
Other asset (Note 2):	
Cash surrender value of life insurance	59,268
Less—Liability for deferred compensation	<u>(59,268)</u>
	—
	<u><u>\$350,937</u></u>
Liabilities and fund balances	
Accounts payable and accrued expenses	\$ 17,408
Fund balances (per accompanying statement) (including \$30,713 of restricted funds)	<u>333,529</u>
	<u><u>\$350,937</u></u>

Statement of Income, Expenses & Changes in Fund Balances

Income:	
Contributions	\$ 968,258
Interest	20,160
Contributed services of "on loan" executives (Note 2) ..	<u>1,212,500</u>
	<u>2,200,918</u>
Expenses:	
Program projects (Note 2):	
School partnerships	514,971
Human Resources Administration reorganization	497,757
Board of Education reorganization	390,663
Public safety and courts	237,049
Summer job programs	10,541
Personnel policies—pensions and benefit studies	6,120
Brownstone revival project	9,685
	<u>1,666,786</u>
Supporting services (Note 2):	
Management and general	377,893
Fund raising	<u>18,056</u>
	<u>395,949</u>
Total expenses	<u>2,062,735</u>
Excess of income over expenses for the year	138,183
Fund balance at December 31, 1972	<u>195,346</u>
Fund balance at December 31, 1973	<u><u>\$ 333,529</u></u>

Statement of Functional Expenses

	<u>Contributed services</u>	<u>Salaries and benefits</u>	<u>Consulting fees</u>	<u>Occupancy</u>	<u>Other</u>	<u>Total</u>
Program projects:						
School partnerships	\$ 291,700	\$ 91,571	\$ 87,748	\$ 4,180	\$ 39,772	\$ 514,971
Human Resources Administration reorganization	408,300	81,104	—	4,180	4,173	497,757
Board of Education reorganization . .	352,100	10,202	14,000	4,180	10,181	390,663
Public safety and courts	160,400	50,788	18,500	4,180	3,181	237,049
Summer job programs	—	10,541	—	—	—	10,541
Personnel policies—pension and benefit studies	—	—	5,800	—	320	6,120
Brownstone revival project	—	5,505	—	4,180	—	9,685
	<u>1,212,500</u>	<u>249,711</u>	<u>126,048</u>	<u>20,900</u>	<u>57,627</u>	<u>1,666,786</u>
Supporting services:						
Management and general		190,080	33,656	35,217	118,940	377,893
Fund raising		10,080	—	2,406	5,570	18,056
		<u>200,160</u>	<u>33,656</u>	<u>37,623</u>	<u>124,510</u>	<u>395,949</u>
Total expenses	<u>\$1,212,500</u>	<u>\$449,871</u>	<u>\$159,704</u>	<u>\$58,523</u>	<u>\$182,137</u>	<u>\$2,062,735</u>

Notes to Financial Statements

Note 1—The Organization:

The Economic Development Council of New York City, Inc. (EDC) is a nonprofit organization whose purpose is to bring the capabilities of the business community to bear on the vital urban problems of New York City. In this way EDC seeks to improve New York's economic "climate" and thus provide employment and opportunity for more people.

EDC business assistance task forces, composed of "on loan" managerial personnel, work to improve the organization and operation of major city government agencies. At the request of city officials, task forces have made intensive studies of the city-wide Criminal Court System including the criminal division of the Supreme Court, civil division of the Supreme Court in two New York City counties, the central Board of Education, and the Human Resources Administration.

EDC also sponsors "School Partnership Programs" in four city high schools in disadvantaged areas. There, teams of business executives, also "on loan" from member companies, work with school administrators, teachers, students, and parents on projects aimed to increase educational effectiveness

and motivate young people toward continued education and careers.

In addition, EDC seeks to stimulate economic development through research department reports on private sector manpower needs, publicly financed training programs, and the impact of city government personnel policies in such areas as pensions and collective bargaining. EDC also sponsored the formation of the Brownstone Revival Committee which encourages their restoration for family living.

Note 2—Summary of Accounting Policies:

Contributed services:

During the year EDC-sponsored programs were staffed by executives on loan from various companies. These loaned executives worked on a full-time basis for periods ranging from one to twelve months. In total 80 executives were loaned to EDC for an aggregate of 582 months. The on loan executives worked

directly under the supervision of EDC's regular paid staff with the loaning company paying all of the executive's salary.

Effective January 1, 1973 EDC adopted the accounting policy of recording as income a value for these contributed services, offset in the same amount as expense, allocated among the appropriate program projects. EDC has arbitrarily established a value of \$25,000 per annum for each loaned executive.

Program projects:

Salaries of employees that devote all of their time to a particular project have been charged to program projects. Salaries of other EDC permanent staff and other general and administrative expenses have not been allocated to the various projects.

Depreciation and amortization:

Office furniture and equipment are being depreciated

over their estimated useful lives on a straight-line basis. Leasehold improvements are being amortized over the life of the lease.

Cash surrender value of life insurance policies:

The EDC is the owner and revocable beneficiary on life insurance policies. The Council under separate agreements with the insured officers and employees has agreed to pay the cash surrender value of the policies to such officers and employees or the proceeds of the policies to their designated beneficiaries, provided that they comply with the terms of the agreements.

Note 3—Lease Commitments:

At December 31, 1973, the EDC was obligated under leases, expiring in 1975, providing for annual rental of approximately \$60,000.



ECONOMIC DEVELOPMENT COUNCIL OF NEW YORK CITY, INC.
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